
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket No. ER98-3594-000

CONDITIONAL APPROVAL FOR MODIFIED CALIFORNIA ISO TARIFF

The Federal Energy Regulatory Commission today conditionally accepted a proposal from the California independent system operator (ISO) that would allow its transmission customers to have more price certainty.

Today's order sets a temporary framework for firm transmission rights (FTRs). The Commission noted in an earlier order that as a means of fostering the development of a competitive and efficient electricity market, the ISO needed to develop FTRs. These allow the transmission customer to hedge the risk of fluctuating congestion charges--a key consideration in light of the amount of investment capital needed by future market participants.

Commented Chairman James J. Hoecker: "FTRs represent a major market development bringing more price certainty to transmission customers using financial arrangements that allow market participants to manage risk and will hasten the development of a truly competitive and efficient bulk market."

Key elements of the ISO proposal include:

- FTRs will be issued by way of an auction.
- FTRs initially will have a one-year term; the Commission also directed the ISO to develop long-term FTRs.
- FTRs may be transferred to others and the ISO will post the identity of the registered ISO holder on its Internet site.
- Any entity, except the ISO, may participate in the auction if it satisfies certain financial and technical criteria.

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The Commission directed the ISO to file, by October 1, an assessment by its Market Surveillance Committee of the FTR program.

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